

iapf



representing pension savers





The role of Multi-Asset Credit in DC schemes

Target audience

Audience

This document is being provided for informational purposes for discussion with institutional investors and financial advisors only. Circulation must be restricted accordingly.

Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular fund, product, investment vehicle or derivative.

General risks

The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth.

Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations.

Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made.

Specific Risk(s)

Derivatives: The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.

Interest rate: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise.

Loans: The specific collateral used to secure a loan may decline in value or become illiquid, which would adversely affect the loan's value. Many loans are not actively traded, which may impair the ability of the Portfolio to realise full value in the event of the need to liquidate such assets.

High Yield Bonds: The fund may invest a significant portion of its assets in higher-yielding bonds rated as sub-investment grade. The High-Yield Bonds have a greater risk of loss of income and principal than investment grade instruments. There is a risk than an issuer of a High-Yield Bond instrument might default (i.e. default risk) on its obligations if he is not be able to meet the interest payments or repay the money that has been borrowed.

DC schemes face a number of challenges in the consolidation phase



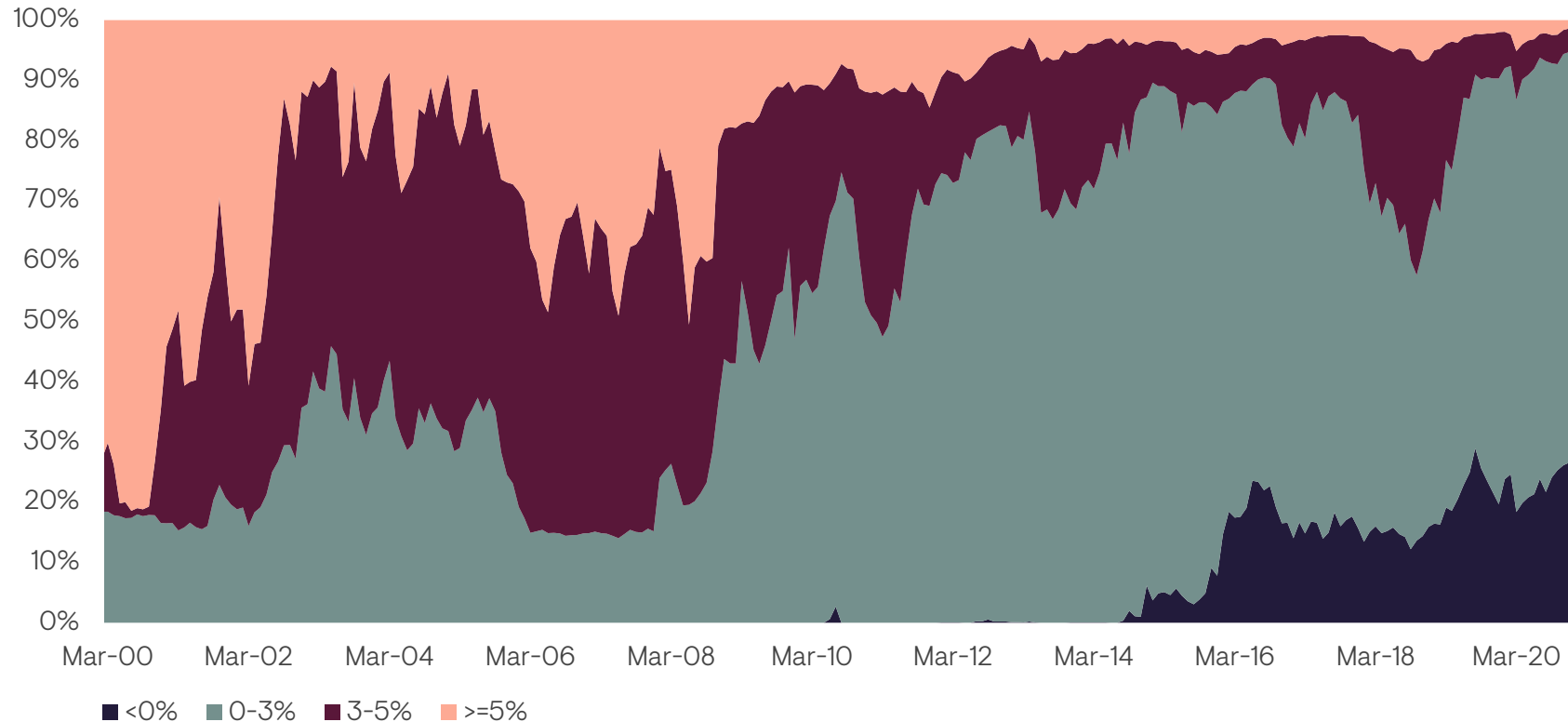
How can MAC offer a solution:

- Working fixed income allocations harder
- Dynamic approach to capture returns and minimise volatility
- Downside protection delivers smoother path of returns
- Integrated ESG

Reaching your return objective in traditional fixed income is becoming harder

Dynamic credit portfolios could help meet those challenges

Global Bond Market Yields:



- Of the \$70 trillion of global bonds outstanding
 - 60% yields less than 1%
 - ~10% yields 3% or more today

The credit market opportunity

Why a flexible approach makes sense

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US HY	58.1%	15.1%	4.4%	15.5%	7.4%	2.5%	-4.6%	17.5%	7.5%	-2.3%	14.4%	6.1%
European HY	79.8%	15.7%	-2.6%	28.6%	10.3%	5.4%	1.6%	9.3%	6.9%	-3.3%	11.5%	2.9%
EM Credit	39.1%	12.4%	4.1%	15.7%	-0.9%	3.6%	1.1%	9.6%	6.9%	-1.3%	12.4%	7.1%
US IG	19.8%	9.5%	7.5%	10.4%	-1.5%	7.5%	-0.6%	6.0%	6.5%	-2.2%	14.2%	9.8%
European IG	14.9%	4.8%	2.0%	13.0%	2.4%	8.3%	-0.4%	4.8%	2.4%	-1.1%	6.3%	2.6%
European Loans	43.4%	9.8%	0.7%	9.7%	8.6%	4.5%	5.5%	3.8%	3.6%	1.3%	4.9%	2.4%
US Loans	51.6%	10.1%	1.5%	9.7%	5.3%	1.6%	-0.7%	10.2%	4.1%	0.4%	8.6%	3.1%
Corporate Hybrids	31.2%	12.7%	3.8%	15.3%	6.4%	7.8%	-1.7%	8.5%	10.3%	-3.9%	12.7%	2.7%
Floating Rate Notes	60.0%	12.6%	-9.2%	22.3%	7.7%	3.7%	4.0%	5.0%	1.9%	-1.8%	7.1%	1.8%
Short Duration HY	44.3%	12.0%	2.7%	13.1%	6.5%	0.9%	1.2%	14.0%	5.3%	0.6%	8.7%	5.0%
Bank Capital	-	-	-	-	-	5.8%	6.9%	7.3%	14.4%	-3.7%	17.6%	6.8%
Differential (best/worst)	64.9%	10.9%	16.7%	19.0%	11.7%	7.3%	11.5%	13.7%	12.5%	5.2%	12.7%	8.0%

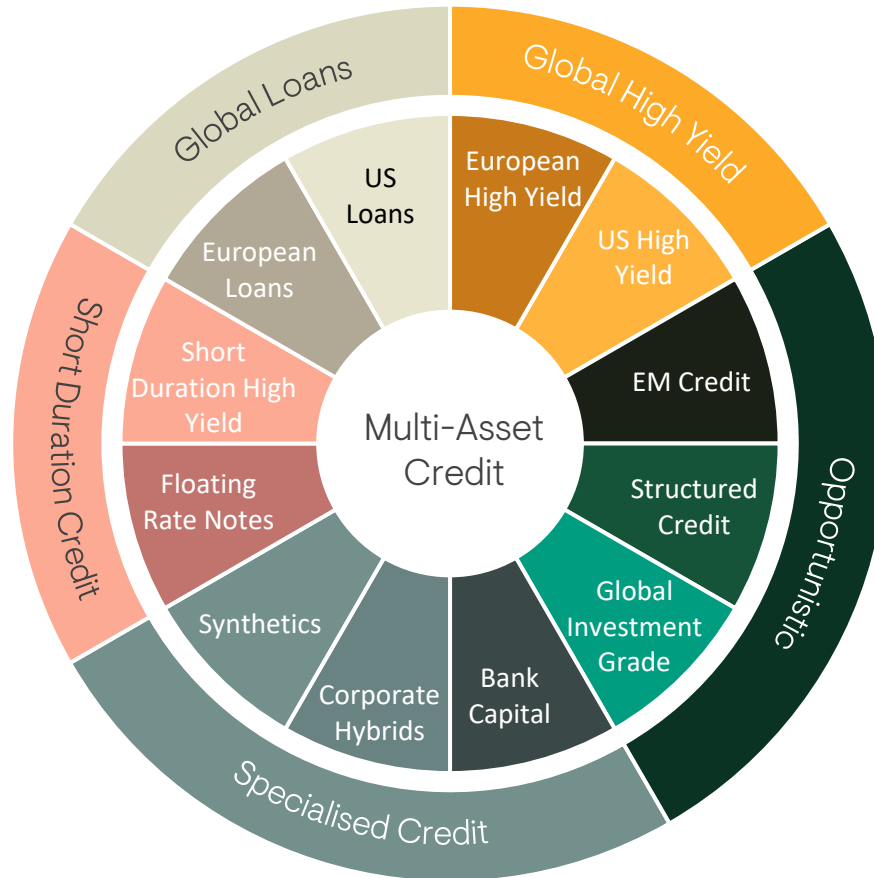


Past performance is not a reliable indicator of future results, losses may be made.

Source: Bloomberg, 31 December 2020. US HY: The BofA Merrill Lynch US High Yield Constrained Index; Europe HY: The BofA Merrill Lynch European Currency High Yield 3% constrained Index; US Loans: Credit Suisse Leveraged Loan Index; Europe Loans: Credit Suisse Western European Leveraged Loan Index; US IG: The BofA Merrill Lynch US Corporate & Yankees Index; Europe IG: The BofA Merrill Lynch Euro Corporate Index; EM Corps: The BofA Merrill Lynch Emerging Markets Corporate Plus Index; Global IG Hybrids: The BofA Merrill Lynch Global Hybrid Corporate Index; IG Sub Fins: Bloomberg Barclays US Corp IG Subordinated Bank Index; Short Duration HY: The BofA Merrill Lynch 1-3 year Global High Yield Non-Financial 2% Constrained Index; FRN: The BofA Merrill Lynch Euro Floating Rate High Yield Index; Bank Capital: Bloomberg Barclays Contingent Capital Global Index. For further information on indices and investment process, please see the important information section.



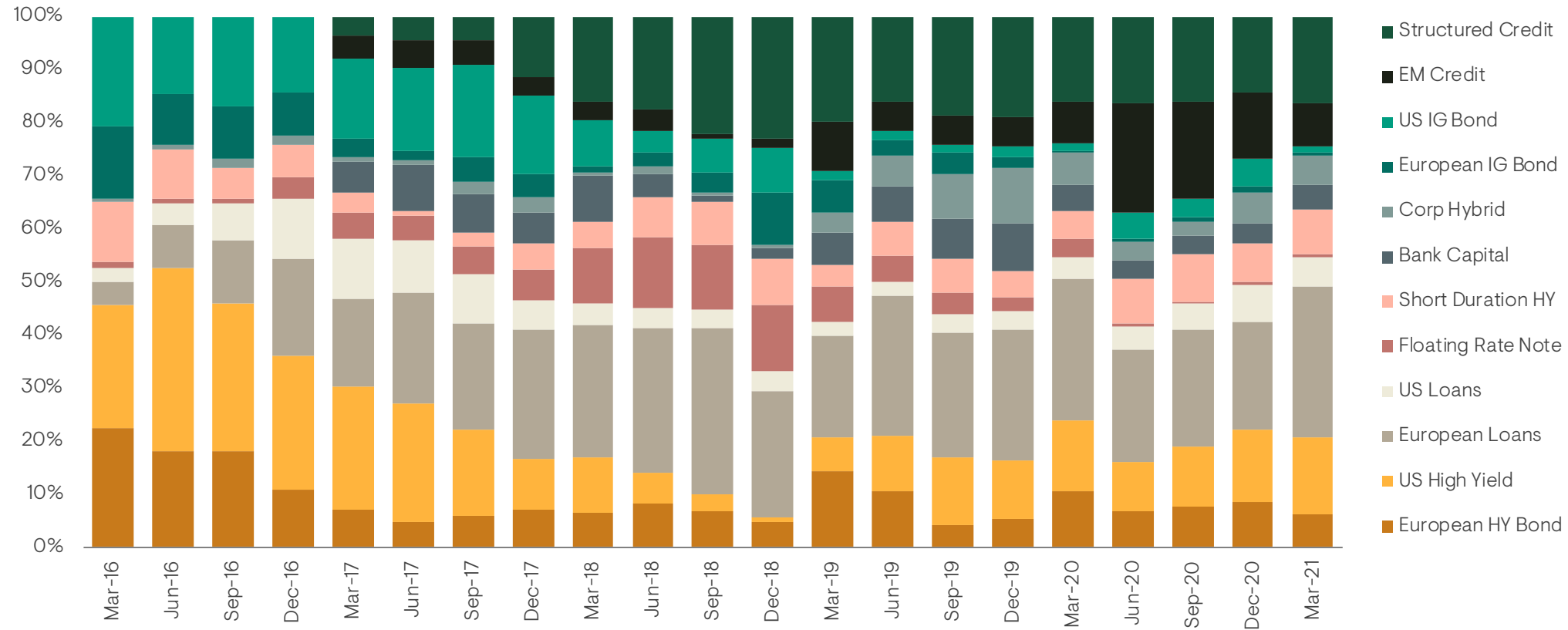
What is Multi-Asset Credit?



- An unconstrained bottom up, best ideas investment approach
- Active allocation across credit asset classes
- Low interest rate sensitivity and source of income

Flexible and dynamic asset allocation across asset classes

Delivering a smoother path of returns for savers



Active approach integrates ESG throughout process

Importance of ESG risks for DC investment horizons

Proprietary ESG analysis

DM Credit ESG scorecard

- Comprehensive nine factor scoring of **ESG trends** based on **qualitative assessment** by sector specialists
- Informed by analysis of third party data, company analysis and interaction with management

Ongoing collaboration and interaction with ESG team

Investment process integration

- ESG assessment considered for each investment, and documented in the **investment paper**
- ESG scores feed into **our investment scorecards** across DM Credit with a 16.6% weighting in the Fundamental score
- ESG considerations are taken into account at the time of **position sizing**
- **Engagement** with company management on both a structured and ad hoc basis

Outcomes

Structured ESG process **embeds ESG risk management** in portfolio construction

Ability to **tailor ESG solutions** for institutional clients

Open to **collaboration** with clients ranging from tailoring of segregated mandates through to sharing of quarterly ESG trend scorecards and qualitative views

ESG scorecard sub-categories

Environmental Policy

Climate Change

Natural Capital

Pollution and Waste

Social Policy

Product Liability

Human Capital

Stakeholder Opposition

Governance

Corporate Governance

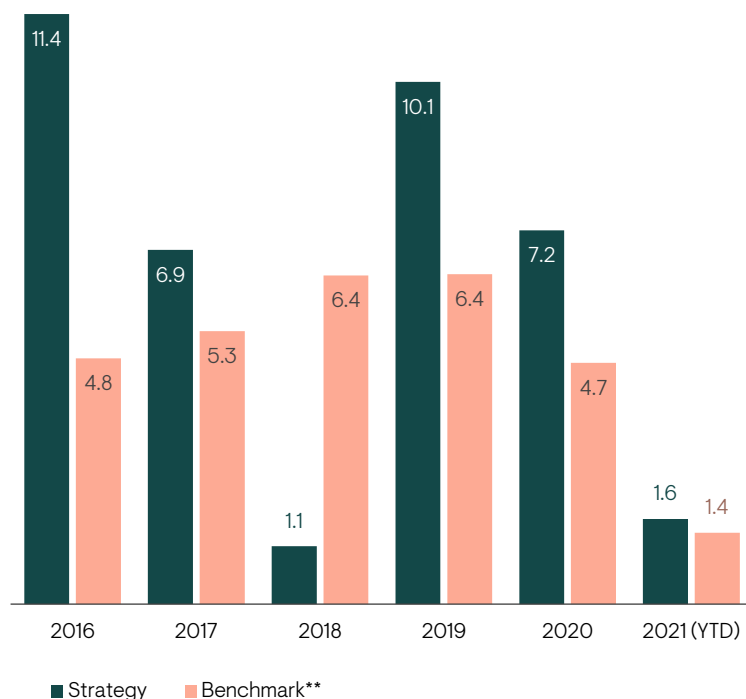
Corporate Behaviour

Regulatory Risk

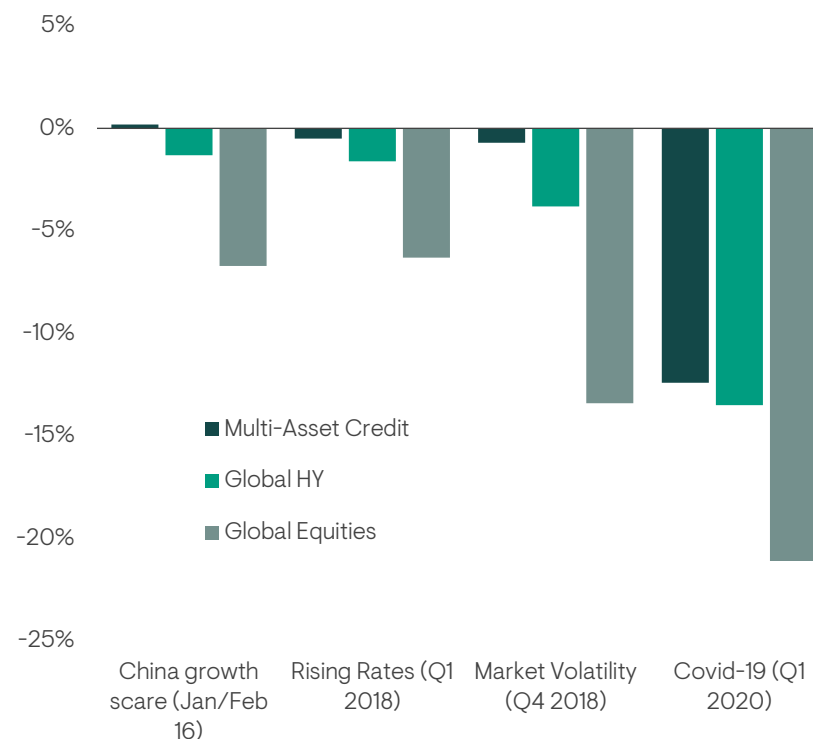
Compelling returns through different market environments

Downside protection in periods of volatility whilst delivering on performance objectives

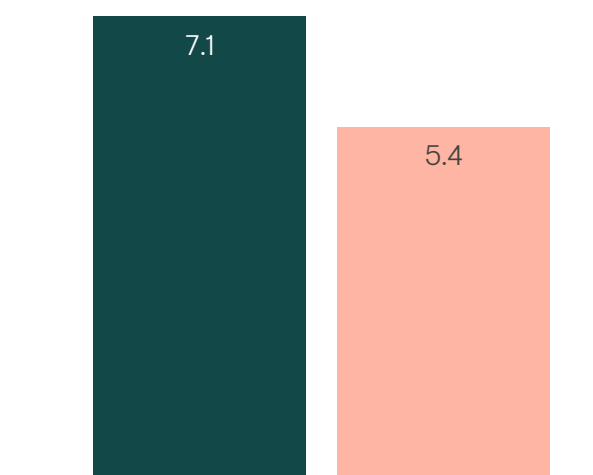
1) Seeking to deliver consistent returns



2) Minimising losses during market volatility



3) Exceeding objectives since inception in 2016*



Why Multi Asset Credit for DC

An attractive building block in the mid phase of member glidepaths

DC schemes today

- 1** Increasing number of members staying invested to and through retirement
- 2** Derisking strategies reliant on DGFs and ARB strategies
- 3** Limited exposure to credit

Why MAC?

- A** Working your fixed income allocation harder to deliver equity like returns
- B** Combines diversification with dynamic asset allocation to deliver a smoother path of returns
- C** Integrates ESG and engagement within process

Important information

This communication is for institutional investors and financial advisors only. It is not to be distributed to the public or within a country where such distribution would be contrary to applicable law or regulations. If you are a retail investor and receive it as part of a general circulation, please contact us at www.ninetyone.com/contactus.

The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness. Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Prospective investors should consult their tax advisors before making tax-related investment decisions.

Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular fund, product, investment vehicle or derivative. Investment involves risks. Past performance is not indicative of future performance. Any decision to invest in strategies described herein should be made after reviewing the offering document and conducting such investigation as an investor deems necessary and consulting its own legal, accounting and tax advisors in order to make an independent determination of suitability and consequences of such an investment. This material does not purport to be a complete summary of all the risks associated with this Strategy. A description of risks associated with this Strategy can be found in the offering or other disclosure documents. Copies of such documents are available free of charge upon request. Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. © 2021 Ninety One. All rights reserved. Issued by Ninety One, May 2021.

Additional information on our investment strategies can be provided on request.

Investment Team

There is no assurance that the persons referenced herein will continue to be involved with investing for this Fund, or that other persons not identified herein will become involved with investing assets for the Manager or assets of the Fund at any time without notice. References to specific and periodic team meetings are not guaranteed to be held or fully attended due to reasonable priority driven circumstances and holidays.

Investment Process

Any description or information regarding investment process or strategies is provided for illustrative purposes only, may not be fully indicative of any present or future investments and may be changed at the discretion of the manager without notice. References to specific investments, strategies or investment vehicles are for illustrative purposes only and should not be relied upon as a recommendation to purchase or sell such investments or to engage in any particular strategy. Portfolio data is expected to change and there is no assurance that the actual portfolio will remain as described herein. There is no assurance that the investments presented will be available in the future at the levels presented, with the same characteristics or be available at all. Past performance is no guarantee of future results and has no bearing upon the ability of Manager to construct the illustrative portfolio and implement its investment strategy or investment objective.

Performance Target

The target is based on Manager's good faith estimate of the likelihood of the performance of the asset class under current market conditions. There can be no assurances that any Fund will generate such returns, that any client or investor will achieve comparable results or that the manager will be able to implement its investment strategy. Actual performance of Fund investments and the Fund overall may be adversely affected by a variety of factors, beyond the manager's control, such as, political and socio-economic events, adverse changes in the interest rate environment, changes to investment expenses, and a lack of suitable investment opportunities. Accordingly, target returns may be expected to change over time and may differ from previous reports.

Specific Portfolio Names

References to particular investments or strategies are for illustrative purposes only and should not be seen as a buy, sell or hold recommendation. Unless stated otherwise, the specific companies listed or discussed are included as representative of the Fund. Such references are not a complete list and other positions, strategies, or vehicles may experience results which differ, perhaps materially, from those presented herein due to different investment objectives, guidelines or market conditions. The securities or investment products mentioned in this document may not have been registered in any jurisdiction. More information is available upon request.

Indices

Indices are shown for illustrative purposes only, are unmanaged and do not take into account market conditions or the costs associated with investing. Further, the manager's strategy may deploy investment techniques and instruments not used to generate Index performance. For this reason, the performance of the manager and the Indices are not directly comparable.

MSCI data is sourced from MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

FTSE data is sourced from FTSE International Limited ('FTSE') © FTSE 2020. Please note a disclaimer applies to FTSE data and can be found at www.ftse.com/products/downloads/FTSE_Wholly_Owned_Non-Partner.pdf



iapf 
representing pension savers